

it would be better if you had long pants. [Laughter] Hey, you know it's part of my job to make people feel better, and I've made millions of Americans feel better about how they look in running clothes. I thought it was a good idea. [Laughter]

Thank you very much. I'll wear them. Great. Thank you.

NOTE: The President spoke at 11:50 a.m. at the Italian Community Center. In this remarks, he referred to Richard Notebaert, chief executive officer, Ameritech Corp.; Morton Bahr, international president, Communications Workers of America; Ameritech employees Gary Keating, Rick Compost, and Deborah Echols; Robert D. Johnson, vice president of district four, Communications Workers of America; Mayor John Norquist of Milwaukee; and Marsha Radaj, vice president of operations, Wisconsin Health Information Network.

Exchange With Reporters in Milwaukee

April 18, 1994

Interest Rates

Q. What about the Fed and the interest rates?

The President. Well, I have two reactions. First of all, there is still no evidence of troubling inflation in this economy, but there is a lot of evidence of growth. And in the last couple of weeks we've seen even more evidence of growth in the economy, for example, big backlogs on automobile orders.

When you have growth in the economy, normally short-term interest rates go up. The estimates are that inflation will be around 3 percent. Historically, short-term interest rates have been about three-quarters to one percent above the rate of inflation. So, this is still within the range of interest rates that should not do anything to harm the economic recovery. And I can only guess that that had something to do with—the signs of economic growth have been very strong in the last couple of weeks, and that the interest rates at 3.5 percent were still only a half a point above the inflation rate, so that's the real interest rate. So I don't think it's cause for real alarm; I wouldn't say that.

But on the other hand, what normally triggers interest rates going up is some evidence

of inflation. We don't have that. So we'll just have to watch this. But I think it would be a real mistake to overreact. This is a very strong economy; it's very healthy. We've got good growth.

Q. But this is not overreaction?

Q. By the Fed?

The President. All I can tell you is what I said. I don't make a practice of commenting on what they do. There is no evidence of inflation, but there is evidence that economic growth is stronger even than we thought, say 2 months ago. And historically, in times of real growth, short-term interest rates have been somewhere between three-quarters of a percent and one percent above the projected rate of inflation, which is 3 percent. So in larger historical terms, this should not be any cause for alarm. We've still got good strong growth, and everybody, including Mr. Greenspan, says that the conditions of economic growth are better than they've been in two or three decades. So I still feel very good about that.

Q. So you have no beef with the Fed? You have no beef with the Fed for raising rates again?

The President. I don't comment on what they do one way or the other, except to try to explain it to people in terms that I think are relevant. I understand what happened if the objective is to have a real rate of return on short-term interest rates. That is, the short-term interest rates ought to be something above the rate of inflation.

But even Mr. Greenspan has said repeatedly that this should not lead to an increase in long-term interest rates. He has said long-term interest rates are, if anything, too high while short-term interest rates might have been too low. So if the market is going to rationally react to this, long-term interest rates should say, well, there's not going to be any inflation in the economy, and we've got good growth so interest rates ought to stay down, not go up. That's what I hope will happen over the long run.

Bosnia

Q. Any new actions for Bosnia, Mr. President?

The President. Well, I'm going back now to find out what happened today.

Thank you.

NOTE: The exchange began at 4:05 p.m. at Leon's Frozen Custard Stand. A tape was not available for verification of the content of this exchange.

**Letter to Congressional Leaders
Reporting on the Cyprus Conflict**
April 18, 1994

Dear Mr. Speaker: (Dear Mr. Chairman:)

In accordance with Public Law 95-384 (22 U.S.C. 2373(c)), I am submitting to you this report on progress toward a negotiated settlement of the Cyprus question. The previous report covered the remainder of September 1993, through November 15, 1993. The current report covers the remainder of November 1993, through March 1, 1994.

Ambassador Richard A. Boucher, my new representative in Cyprus, presented his credentials at a ceremony in Nicosia on November 22. In his remarks, Ambassador Boucher reiterated the strong commitment of my Administration in supporting efforts to resolve the Cyprus question. Stressing the importance of breaking down barriers of mistrust, Ambassador Boucher said he would actively promote bi-communal contacts and measures to enhance confidence between the two communities.

On November 22, 1993, the U.N. Secretary General issued his report in connection with the Security Council's comprehensive review of the U.N. Peacekeeping Operation in Cyprus (UNFICYP). The Secretary General concluded that while UNFICYP has successfully kept the peace, the resulting opportunity has not been used properly by the two sides to reach an overall settlement. The Secretary General had no doubt that, were UNFICYP to be withdrawn, the present buffer zone would be a vacuum that each side would want to fill. He thus recommended that the mandate of UNFICYP be extended for a further 6-month period, until June 15, 1994. The Secretary General also stated emphatically that the two sides on the island, as well as Turkey and Greece, should work more effectively for a negotiated settlement. He called on all parties to show a serious willingness to negotiate and urged both sides to work to promote tolerance and

reconciliation. He faulted both sides for their reluctance to undertake bi-communal activities.

On December 1, 1993, Mr. Robert Lamb was appointed as U.S. Special Cyprus Coordinator. Robert Lamb, having served as U.S. Ambassador to Cyprus from 1990 to 1993, brings valuable experience to the position. I would like to take this opportunity to recognize the efforts of Mr. John Maresca, who, as U.S. Special Cyprus Coordinator, contributed significantly to the process.

Special Cyprus Coordinator Lamb traveled to Cyprus December 1. His arrival in Cyprus on the first day of his appointment underlined my Administration's resolve to achieve progress on the island. He conveyed the message that the confidence-building measures (CBMs) are a balanced, workable package for both communities, and that the United States was prepared to work with both communities to ensure that their concerns are addressed satisfactorily.

Assistant Secretary Stephen Oxman traveled to Turkey December 8-9, 1993, for the United States-Turkey Joint Economic Commission. While there, he met with Prime Minister Ciller and Ministry of Foreign Affairs Under Secretary Sanberk. He told Prime Minister Ciller that after the December 12, 1993, Turkish-Cypriot election, the United States wanted to move the process forward. The Turkish side pointed out that Turkey had spoken out in support of the Secretary General's efforts for the CBM package, and assured Mr. Oxman of Turkey's continued cooperation.

The Director of the Department of State's Office for Southern Europe, Marshall Adair, accompanied Assistant Secretary Oxman to Turkey and also met with a variety of Turkish government officials and parliamentarians to emphasize the importance of moving forward on the CBM package. He then visited Athens and met with Ministry of Foreign Affairs officials on this subject there. On December 12, 1993, Mr. Adair traveled to Cyprus. He and Ambassador Boucher met with President Clerides and Mr. Denktash on December 13, 1993, and stressed that the United States believes we are at a stage where a step forward could be taken.